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Gaining Access to Customers' Resources through Relationship Bonds

Roger Baxter

Abstract: In order to get good access to a buyer's resources, which contribute to relationship value creation, a seller needs to put resources into the relationship, and the bonds between the buyer and seller need to be strong. This paper reports on a preliminary study that assesses how the expected level of input of resources by sellers into business-to-business buyer-seller relationships and the strength of relationship bonds affects sellers' access to their buyers' resources. The paper's focus is on access to the buyer's less imitable intangible resources, such as downstream market knowledge, which provide long-term competitive advantage. Based on extant literature and interviews with managers, the study proposes a model which includes relationship bonds as a mediator of the effect of seller's resource input on their access to their buyers' resources. The study applies structural equation modeling to survey data to test this model and finds support for it.

Keywords: Business to Business · Bonds · Buyer-seller relationship · Collaboration · Exchange · Interaction · Relationship

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Introduction

Firms need to invest in their relationships (Williamson 1979) with customers to make these relationships work effectively and efficiently as conduits for transmitting resources (Ford et al. 1998, Hakansson & Snehota 1982). For short-term survival, a firm invests resources into relationships so that its exchanges with customers provide cash flows in exchange for the offerings of goods and services it supplies. These investments by the seller include such resources as salespersons' costs, managers' costs, adaptations to offerings, and adaptations to the distribution and administrative processes that enable offerings and payments to pass between buyer and seller.

However, managers are more and more interested in the intangibles that are so important to the longer-term survival of their firms, as illustrated by the kinds of tools they focus on, such as benchmarking, CRM, and core competency management systems (Rigby 2011). Intangibles are the focus in all the top-scored items in Rigby's report on the relative importance of management tools. Many of the intangible resources that such tools manage are internal to the firm, but many are also external to, but accessible by, the firm through relationships with other entities. In the case of business-to-business buyer-seller relationships, which are the focus of this paper, a seller can gain much benefit from a customer's resources such as the customer's network of relationships, its employees' skills and its institutional knowledge.

Hence, in addition to a focus on short-term resource management and profitability gained from tangible resource exchanges, it is vital that a seller's management of its relationships also maintains a focus on investing resources, such as salespeople's time, expressly to gain access to the buyer's intangible resources. This focus on intangible knowledge-intensive aspects of the relationship is a key requirement for a customer relationship to provide long-term sustainable competitive advantage and profitability to the supplier, as pointed out in the resource-based view of the firm (Barney 1991, Morgan & Hunt 1999).

The IMP literature (e.g. Hakansson & Snehota 1982) provides evidence that the nature of a relationship is an important factor in determining how well the relationship allows for the transmission of intangible knowledge-based resources and in turn how well it can aid long-term relationship success. In particular, the strength of "actor bonds" (Håkansson & Snehota 1995) plays an important part in how well the relationship functions. Actors include both the firms in the relationship and the individual boundary personnel such as salespeople. This study principally concerns firms as actors.

By analysis of quantitative data, the study described in this paper provides early support for two propositions: firstly, that strengthening the level of input of resources by the seller in a business-to-business buyer-seller relationship has a positive effect on the seller's access to the buyer's resources; secondly, that the strength of the bonds in a relationship significantly affects the extent to which the supplier has access to its customer's intangible resources. Gaining greater understanding of which relationship conditions encourage this resource exchange is important to the development of buyer-seller relationship theory, given the centrality of two-way resource exchange for value co-creation in current views of marketing such as the service-dominant logic (Vargo & Lusch 2008), the IMP "activity links, resource ties and actor bonds" (ARA) model (Hakansson & Snehota 1982, Håkansson & Snehota 1995), and resource-

advantage theory (Morgan & Hunt 1999); all these theory streams have shared provenance in the work of Penrose (1959). The importance of resource exchange is particularly true for the less imitable intangible resources which have strong effects on long-term competitiveness (Barney 1991, Morgan & Hunt 1999), so this study's finding is a useful contribution by providing empirical evidence of relationship conditions that facilitate exchange of those resources by making them accessible. This contribution provides managers with information for strategy setting in buyer-seller relationships, particularly for the seller.

The study does not attempt to model the interaction and integration processes that can lead to value creation through resource exchange and combination (Gummesson & Mele 2010). The primary aim of the study is to highlight some of the conditions in the relationship that can assist the requisite resource accessibility, as a step towards greater understanding of those conditions.

In the next section, the paper develops the conceptual model for the study by briefly reviewing relevant literature. It then describes the study's methodology and analysis of data. Finally, the paper discusses the implications of the study and future research issues, particularly the need to better measure all aspects of the bonding-strength construct.

Conceptual development

The following discussion develops the conceptual grounding for the study and hence the grounding of a model for empirical testing as in Figure 1. The study's rationale is that a seller needs to utilize its buyers' resources and integrate these with its own resources to develop future value if the seller wishes to be truly successful. The IMP literature makes this very clear (Ford et al. 1998, Hakansson & Snehota 1982) in the concepts of resource combining that it describes. Other theoretical streams support the importance to a firm of access to its customers' resources through its buyer-seller relationships. Morgan and Hunt (1999) develop their resource-advantage theory, based on the resource based view of the firm, to list and describe a set of resource categories to which a firm can usefully gain access through a buyer-seller relationship. These resources lead to varying degrees of competitive advantage. It is intangibles such as the buyer's network of relationships and its informational resources in databases or elsewhere which lead to the greatest competitive advantage according to Morgan and Hunt; Rigby (2011) reports that innovation is the top concern of managers. Intangible knowledge-based resources, from both internal and external sources, are a requirement for innovation and hence for competitive advantage.

Competence theory similarly identifies the usefulness to a firm of "firm-addressable resources" which are external resources that the firm does not own, but to which it has access through a relationship (Sanchez & Heene 1997). The service-dominant logic (S-DL) of marketing (Vargo & Lusch 2008) provides support for the concept that the exchange of resources through a relationship leads to the creation of value-in-use by the relationship. Operant (more intangible) resources provide greatest advantage according to the S-DL.

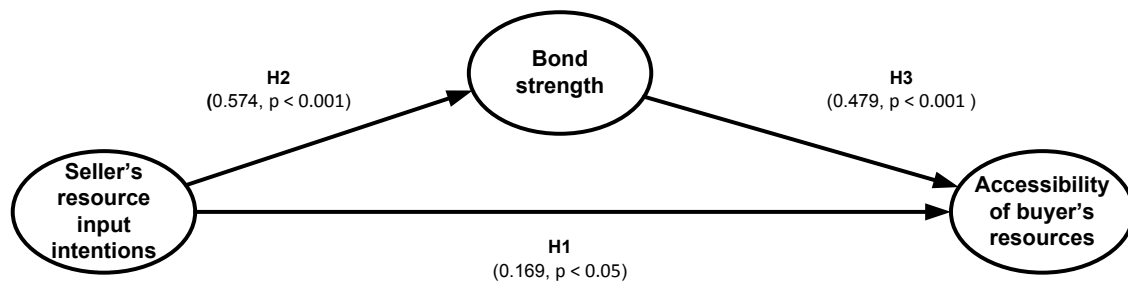


Fig. 1: Model (Note: Bracketed numbers on paths are standardized regression coefficient, significance level)

However, in order to access its customer's resources and tap into the potential for future value creation by resource integration at resource interfaces in general (Waluszewski & Håkansson 2007) and at knowledge interfaces (Strömsten & Håkansson 2007) in particular, the seller needs to work on development of the relationship with the customer. This means that the seller needs to put resources, both tangible and intangible, into the relationship (Ford et al. 1998 page 27). The model in Figure 1 therefore hypothesizes a direct relationship between, on the left of the model, the seller's intention to apply resources to relationship development and, on the right of the model, the supplier's expected level of future access to the buyer's intangible resources. The direct path hypothesis, labeled as H1 in Figure 1, suggests that the more resource a supplier puts into development of the relationship, the greater will be its ability to access the intangible assets of its buyer partner. This hypothesis is supported by a strongly significant path from relationship-specific investments to cooperation in a study by Palmatier, Dant, & Grewal (2007).

The IMP literature makes it clear that strong bonds between actors in a relationship assist positive outcomes in terms of the exchange of resources, and hence in terms of value creation, by strengthening activity links between two companies (Ford et al. 1998). The model in Figure 1 therefore proposes that strong relationship bonds as perceived by the seller positively influence the seller's level of accessibility to the buyer's intangible resources. This effect of bond strength on accessibility of the buyer's resources is shown by the H3 path in Figure 1.

The model specifies that bond strength mediates the influence of seller's resource input intentions on future accessibility to buyer's resources, rather than moderating that influence, because the seller's perception of bond strength is not likely to be independent of the seller's projected level of input of resources into the relationship. The model applies the concept that more input of resources by the seller into the relationship will contribute to building bonds between the seller and buyer. Therefore, there is a path in Figure 1 from the seller's expected level of resource inputs to the bond strength construct, representing the model's second hypothesis H2, as well as from bond strength to accessibility of buyer's resources, representing the model's third hypothesis H3.

In early work on the nature of bonds, Berry (1995) and Berry and Parasuraman (1991) specify the bonds between buyers and sellers as comprising the following: financial bonds which they characterize as the "level one" most easily broken bonds;

social bonds as “level two” bonds, which are less easily broken, but which can overcome only a limited price differential that is unfavorable to the socially-bonded supplier versus another supplier; and the “level three” structural bonds, which are the least easily broken. Turnbull and Wilson (1989) support the position, in the business-to-business context, that structural bonds are less easily broken than social bonds and that financial considerations come into play when structural and social bonds are relatively weak or price differences are very high. This study interprets financial bonds in the broad sense of a profitable relationship, whether that profitability comes, for example, from a lower price or a more financially-favorable loyalty scheme. The interpretation of social bonds is that of Berry and Parasuraman (1991), who note that they arise from the supplier treating the buyer as a “client”, which means that the supplier stays in touch, learns about the customer’s needs and wants, uses that information to customize the relationship, and engages in “continually reselling the benefits of the relationship”.

Although the work of Berry and Parasuraman (1991) relates specifically to financial services and has a stronger focus on business-consumer contexts, several studies investigate the nature and effects of these three types of bonds in business-to-business, financial services, and retail contexts (e.g. Ahmad & Buttle 2001, Buttle Ahmad, & Aldaigan 2002, Chiu, Hsieh, Li, & Lee 2005, Hsieh, Chiu, & Chiang 2005, Hsieh, Lin, & Chiu 2002). Thus they are well-established in the literature across a range of contexts. In particular, while Buttle et al. (2002) include financial bonds with structural bonding in an empirical study of business-to-business relationships, most studies use the three categories: financial, social and structural bonding. Measures of these three types of bonds are therefore used as indicators of relationship bonds in this study’s business-to-business manufacturing context, as described in more depth in the section below on measure development. The next section of the paper describes the measure development, data collection, and data analysis this study employs to test the Figure 1 model.

Testing the model

Methodology

The study adopted several stages. Following qualitative analysis of transcripts of eight interviews with managers to further identify and characterize key constructs and potential measures, using the literature as a basis for this analysis, the quantitative phase of the study undertook the following steps. The study first pre-tested a questionnaire with both academics and practitioners involved in relevant fields, made minor modifications, then collected and analyzed 28 responses in a pilot study. The study then surveyed managers in sales and marketing positions who were involved in relationship management. The survey collected data from managers working in New Zealand business-to-business buyer-seller relationships, rating items on 7 point scales with anchor points as in the appendix. The unit of analysis is a relationship between two firms, so question stems are worded accordingly, as the appendix shows. The

respondent answered questions about their fourth-largest customer in order to avoid a skew to the choice of “good” relationships, as was done by Anderson and Narus (1990) for this purpose, because the responses in this project’s pilot study had a strong skew toward “good” relationships,

The data is analyzed in SPSS and Amos software using correlations, confirmatory factor analysis, and structural modeling. Fit statistics of the measurement and structural models estimated in Amos to test the Figure 1 model are provided in Table 1 and are discussed below. The study uses Baron and Kenny’s (1986) steps to test the hypothesized mediation by relationship bond strength, also discussed below.

Table 1: Model fit statistics

	CMIN	Df	p-value	CMIN/Df	SRMR	RMSEA	TLI	GFI
Measurement model	101.626	51	0.000	1.993	0.047	0.056	0.956	0.948
Structural model without mediation: B&K step 1	55.391	13	0.000	4.261	0.054	0.102	0.931	0.951
Structural model with only the H2 path, future inputs to bonds: B&K step 2	35.274	19	0.013	1.857	0.042	0.052	0.968	0.973
Mediated structural model: B&K steps 3 and 4	101.626	51	0.000	1.993	0.047	0.056	0.956	0.948

Quantitative data collection

The number of responses to the main survey after excluding incomplete questionnaires was 314, which represents a response rate of 23% on the number mailed out. The mail-out was to firms with five or more employees. Firm size and percentage of responses ranged from 5% in the five to nine employee group, through 32% in the 20 to 39 group, to 2% in the 1,000 or more employee group. The respondents were mainly sales managers (44.6%), marketing managers (21.0%), sales and marketing managers (13.7%), or in a CEO/General Manager/Director position (8.6%). Others were in positions that qualified them to respond concerning relationships with buyers: they were asked to qualify themselves by stating their level of involvement with customer relationships.

Non-response bias was assessed using the Armstrong & Overton (1977) technique. The first 43 responses that arrived in the mail formed the early response group and the last 45 questionnaires formed the late response group. These numbers of responses were sufficient for *t*-tests but were well-separated in time so that any significant time-related difference would show clearly. Lack of significance in the *t*-tests suggests no response bias in the data.

Exploratory analysis in SPSS shows that the survey data is suitable for analysis. Table 2 shows mean and standard deviation for each questionnaire item and bivariate

Pearson correlations between indicators. Indicators correlate well in their groups with the exception of the last item, "This relationship is very profitable for us". This lower correlation and its resultant lower loading on the bond strength construct is discussed below.

Measure development

The study specifies all indicators as reflective. The future seller's resource input intentions construct is conceptualized as the level of tangible and intangible inputs that the seller expects to apply to the relationship over the next 3 years from the time of the survey. Its scale has three items, after a fourth dropped out, which describe a mix of tangible and intangible resources that are representative of the resources that a firm with a strong intention to apply resources to its relationship would put into that relationship. These three items are listed in the appendix. Similarly, the measures for accessibility of buyer's resources are four resources that are representative of those that a seller would find useful if they were accessible from their customer, so these measures indicate accessibility of buyer's resources as perceived by the seller.

The measures for bond strength represent the three aspects noted in the conceptual development section above, which are financial, social and structural bonds as seen from the perspective of the seller. The measures represent outcomes of a relationship philosophy that encourages strong bonding and hence are reflective measures of this kind of philosophy (Baxter 2009). The measures all ask about the relationship between the companies, rather than about personal relationships, as is seen in the question stem "How much do you agree with the following statements about your firm's relationship with the chosen customer, as compared with other customers?"

The first and last items for bond strength in the Appendix are measures of social and financial bonding perceptions respectively that would be indicators of the seller's belief in a high level of bonding in the relationship. The first item is a direct question about strength of social bonding of the supplier with people in the buying company which the respondent uses as the subject of the questionnaire. The IMP literature sees social bonds as important in relationship management (e.g. Håkansson & Snehota 1995, page 15). The last item asks about profitability of the relationship as a surrogate for financial bonding. The middle three bond strength items are designed as measures of structural bonding, based on the work of Wilson (1995). Wilson notes on page 342 that non-retrievable investments (Williamson 1979) play a part in building structural bonds. Hence the scale includes the items "We make a lot of specific investments in this relationship" and "The customer makes a lot of specific investments in this relationship". Wilson also notes that alignment of goals in the "defining purpose" stage of a relationship is important to its success (page 341) and others note the importance of goal alignment in relationships (e.g. Araujo & Mouzas 1997, Stephen & Coote 2007). This alignment will aid in balancing the relationship (Wilson, page 342) in the "hybrid" form of governance (Borys & Jemison 1989), so this paper sees the sharing of goals as evidence of a strong hybrid with strong structural bonding that results from these over-riding mutual goals (Morris, Brunyee, & Page 1998, page 361). Hence the scale includes the item "Our firm shares a lot of goals with this customer".

Table 2: Indicator means, standard deviations, and correlations

	Survey item as in appendix	Mean	Std deviation	1	2	3	4	5	6	7	8	9	10	11
1	Supplier dollars in	4.31	1.064											
2	Supplier time in	5.03	1.054	.511**										
3	Supplier intangibles in	5.24	1.058	.415**	.696**									
4	Access to customer's network	4.41	1.469	.292**	.247**	.291**								
5	Access to cust. organizational capabilities	4.37	1.393	.237**	.250**	.326**	.693**							
6	Access to cust. personnel capabilities	4.58	1.274	.222**	.282**	.372**	.561**	.756**						
7	Access to cust. NPD capabilities	4.50	1.494	.254**	.337**	.396**	.462**	.559**	.610**					
8	Strong social bonds	4.53	1.624	.157**	.193**	.185**	.229**	.223**	.287**	.189**				
9	Share goals	4.62	1.465	.256**	.268**	.300**	.328**	.363**	.405**	.331**	.366**			
10	Supplier makes investments	4.29	1.550	.405**	.365**	.371**	.312**	.323**	.374**	.334**	.336**	.486**		
11	Customer makes investments	3.70	1.497	.343**	.355**	.327**	.327**	.339**	.382**	.304**	.376**	.468**	.620**	
12	Relationship is profitable	5.22	1.233	.179**	.265**	.266**	.198**	.215**	.252**	.261**	.231**	.339**	.281**	.356**

Analysis results

The appendix shows the measures of constructs and the internal consistencies of scales, all of which have Cronbach alpha well in excess of 0.7 (Hair, Anderson, Tatham, & Black, 1998). Application of Harman's single-factor test for common method variance, though it gives only an approximate diagnosis, does suggest that this is not a problem. In an exploratory factor analysis, there is no general factor that "accounts for the majority of the covariance" (Podsakoff, MacKenzie, Lee, & Podsakoff 2003) among the study's measures. Table 1 shows that the measurement model, which includes all three constructs and their purified items, has good fit statistics (Hair et al. 1998, Hu & Bentler 1999). The measures all have convergent validity, as their regressions on the constructs they measure are all significant at $p < 0.001$ and their correlations with the constructs they measure are substantial and are well in excess of 0.5. A rigorous test shows the measures all have discriminant validity: the 90% confidence level upper and lower bounds for their bootstrapped correlations do not include 1 as a value (Anderson & Gerbing 1988). The scales therefore have good psychometric properties, apart from the somewhat low regression weights for the indicators for social and financial bonding. These indicators are left in the scale for the sake of content validity, and this issue is noted in the discussion section below. Bivariate correlations between the summated scales of the three constructs in the model are all in the moderate range 0.4 to 0.5, which is reasonable for constructs that are related but discriminant.

The study estimates three structural models to test for mediation using the Baron and Kenny (1986) (B&K) steps. For step 1, the first model has only the unmediated path shown as H1 in Figure 1. Although the H1 path in the unmediated model is significant, meeting the B&K step one requirements, the fit statistics are not as good as the mediated model and the squared multiple correlation for accessibility of buyer's resources is lower than the mediated model, at 0.192. The second model has only the H2 path from seller's resource input intentions to bond strength and this path is significant at $p < 0.001$, meeting the B&K step two requirements. The third structural model includes relationship bond strength as a mediator, as in Figure 1. Fit statistics for this mediated model are good, as in Table 1, and the squared multiple correlation for accessibility of buyer's resources is 0.351, so the mediated model explains resource accessibility better than the unmediated model. The H1, H2 and H3 paths are significant in the mediated model at $p < 0.05$, $p < 0.001$, and $p < 0.001$ respectively, and the standardized regression coefficient for the path from seller's resource input intentions to accessibility of buyer's resources is lower in the mediated model at 0.169 than in the unmediated model at 0.438. The model therefore meets the requirements of B&K step three and four and thus provides good evidence for the presence of partial mediation.

Discussion

The study's analysis gives preliminary support to the model as in Figure 1, which proposes that the level of resources that a business-to-business seller puts into its buyer-seller relationships positively affects its level of access to the important intangible resources of its customers and that a strong relationship bond partially mediates this access. It supports the contention in the IMP literature that positive bonds improve information flow by way of interaction. In these days of supply chains fractured by outsourcing, it is even more important than it has been to "use others' knowledge" (Baraldi & Waluszewski 2007 page 104), including that which is available from customers, mediated by interaction through relationships (Waluszewski & Håkansson 2007). Interaction occurs best where both relationship partners allocate sufficient resources to the relationship in a good atmosphere. Taking one of the resources used in the study as an indicator of the seller's resource input intentions as an example, if the seller's boundary personnel are able to give more time to the relationship, they are able to better communicate and to better gain information from their customer. This illustrates the positive effect that higher levels of the seller's propensity to allocate resources can have on the seller's access to the buyer's information resources.

The study has limitations in terms of its cross-sectional view, its perspective of only one side of the dyad, and its request to respondents to project the future of a relationship. The latter may be difficult for a respondent to assess. Extension of the model to the buyer's perspective is an opportunity for future research. Another avenue for future research is to investigate the detailed mechanisms by which the resources of relationship partners are integrated and how this integration leads to improved performance.

The lower regression weights of the indicators for social and financial bonds on the bond strength construct, as shown in the Appendix, make clear that the measures of bond strength need further development and suggest that a set of scales will perform better when social and financial bonds are measured as separate dimensions, or, for even more specificity, the three bond types' effects on the accessibility outcome are investigated separately. The development of these scales is an area for future research, especially in the light of recent work by Blocker, Houston, & Flint (2012) for example. These authors suggest that conceptualizations of relationships that researchers currently use for relationship bonds need more development, particularly with respect to their social aspects. Current conceptualizations tend to be from an etic (researcher's) perspective, so we may need to more fully investigate conceptualizations from the emic perspective of relationship participants. The work of Blocker et al. (2012) also suggests that the instrumental aspects ("ability to deliver results") and expressive ("friendship" or emotional) aspects of bonding may be quite distinct and that there may well be a tension between these bonding aspects, meaning that they do not in fact fit together well as dimensions of an overall bonding construct. This would require a different conceptualization from the one assessed in this study. A further point that needs clarification is that some researchers consider that financial bonds are subsumed under structural bonds (Ahmad & Buttle 2001), although the relevant correlations in Table 2 do not clearly suggest that in this study. Hence, although the scale for relationship bonds performs reasonably well on a preliminary

basis in this study, it will be useful in future research to investigate the dimensionality of relationship bonds in this business-to-business context, especially the effect individually of each of financial, social, and structural bonds on access to a relationship partner's resources, using re-conceptualized scales for each aspect.

Another point for future research is that it is theoretically possible for a seller to put too many resources into a relationship, for example by having salespeople visit so frequently as to annoy customers, but this situation would mean that the input would no longer be regarded as a positive resource. This issue is worthy of investigation in future: how many resources are too many, especially from the perspective of the buyer?

The discussion above suggests that this study provides a useful addition to the limited extant knowledge of business-to-business relationship bonds and their effect on relationship outcomes. Further, the study points the way to future research to better identify the nature of these bonds.

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Appendix: Scale items

Scales and items	Anchor points on 1 – 7 scale		Standardized regression weight	Cronbach alpha
Future resource inputs				0.779
Please consider again your firm's relationship with your chosen customer over the next 3 years. How high do you expect your firm's level of input of the following resources to be into the relationship, compared with your other customers?	Very much lower	Very much higher		
Dollars your firm puts into the relationship.			0.581	
The time input of your personnel			0.856	
Your intangible inputs, such as your knowledge, skills, ingenuity, relationships			0.803	
Accessibility of buyer's resources				0.857
Again, for the next 3 years, how effective do you expect the relationship with your chosen customer to be in giving your firm useful access to the following?	Not at all effective	Very effective		
To your customer's network of relationships			0.729	
To the capabilities in their organisation (e.g. the organisational knowledge, infrastructure, processes, and/or culture)			0.887	
To the capabilities of their personnel			0.848	
To their capabilities for the development of new products or processes			0.670	

Bond strength				0.759
How much do you agree with the following statements about your firm's relationship with the chosen customer, as compared with other customers?	I do not agree at all	I fully agree		
We have strong social bonds with people in the customer organization			0.482	
Our firm shares a lot of goals with this customer			0.653	
We make a lot of specific investments in this relationship			0.759	
The customer makes a lot of specific investments in this relationship			0.773	
This relationship is very profitable for us			0.453	

- Notes:**
1. Numbers in the column headed "Standardized regression weight" are path weights between each measure and the construct it reflects in the measurement model whose fit statistics are shown in Table 1.
 2. Standardized regression weights in this appendix are all significant at $p < 0.001$.